



MONTANA TEACHERS' RETIREMENT SYSTEM

1500 E 6TH AVE
PO BOX 200139
HELENA MT 59620-0139
(406) 444-3134

TRS Office Use Only

TERMINATION PAY – IRREVOCABLE ELECTION

A Montana Teachers' Retirement System (TRS) member, pursuant to 19-20-716 MCA, is permitted to pay additional employee contributions to the TRS in order to include termination pay in the calculation of their monthly benefit. Pursuant to the provisions of 19-20-716, the employee contribution due the TRS may be deducted from the termination pay and remitted to the TRS on a tax-deferred basis. I understand that tax-deferral of the employee contributions due to the TRS on termination pay requires execution of this irrevocable payroll reduction authorization. If this form is properly executed, the employer is required to pick-up and remit the employee contribution due the TRS from my termination pay. With respect to this reduction, I understand the following:

- This is an irrevocable reduction authorization. The statute governing this option, 19-20-716 MCA, requires that I use **“the total”** termination pay amount available at the time of termination and retirement in the calculation of average final compensation.
- The binding irrevocable election form is not effective until signed by myself, as the TRS member, and an authorized representative of my employer.
- **The pick-up is only effective if the irrevocable election form is executed at least 90 days prior to my final day of employment.**
- Contributions due TRS must be deducted from the gross amount of my termination pay, paid at the time of my termination and retirement. Amounts paid prior to termination or months after termination cannot be reported to TRS.
- The contributions picked up by my employer may not exceed the otherwise taxable portion of my termination pay.
- Termination pay does not include payments that are considered deferred compensation. The most common type of deferred compensation is the option to take cash or have the amount payable applied toward future insurance premiums. Even if the member elects to take the cash, it is not reportable as termination pay to the TRS. The employer may be required to offer assurances in this regard.
- After the execution of this Termination Pay – Irrevocable Election Form, I do not have the option of receiving the picked up amounts (employee contributions) directly instead of having them paid by my Employer to TRS.
- Employee contributions deducted from termination pay must be paid from the same source as compensation is paid.
- I understand that employee contributions are being picked up by my employer and must be remitted directly to the TRS in lieu of the employee contributions being paid by me.
- I understand that if employee contributions due exceed the available funds after social security taxes have been deducted from the gross amount of the termination pay, that I will be required to make personal payment of any balance due.
- Any portion of my termination pay that is required to be contributed by my employer to a Voluntary Employee Benefit Association (VEBA) will reduce the maximum amount of termination pay that can be reported to TRS.
- If I die prior to termination of employment, this binding, irrevocable election shall be carried out in accordance with the executed Termination Pay - Irrevocable Election Form. If the termination pay is not payable upon my death, the election is void.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992
ALTERNATIVE ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST



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TERMINATION PAY - IRREVOCABLE ELECTION FORM

Member's Information:

(Name)

(Date of Birth)

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

(Social Security Number)

(Home Mailing Address Street or PO Box)

(City, State & Zip Code)

(_____) - _____
(Area Code & Telephone Number)

I hereby elect to use termination pay in the calculation of average final compensation in compliance with option:

Initial one option

| | | |
|-----------------|---|--|
| OPTION 1 | Use the total termination pay in the calculation of the average final compensation. My employer and I shall pay such contributions to the retirement system as are determined by the Retirement Board to adequately compensate the System for the additional retirement benefit. | |
| OPTION 2 | The termination pay is divided by the total number of years of creditable service to determine a yearly amount. The yearly amount of termination pay is then added to each of the three consecutive year's salary used in the calculation of the "Average Final Compensation." My employer and I must pay the normal contribution rates on the termination pay. | |

I hereby direct my employer, at the time of my termination and retirement, to deduct from my termination pay paid at the time of termination and retirement the contributions due the Montana Teachers' Retirement System to effectuate my election with regard to the use of termination pay in the calculation of my benefit from the TRS. By signing below I acknowledge that I am entering into an irrevocable contract and understand the terms of both sides of this form.

(Signature of Applicant)

(Date)

EMPLOYER SIGNATURE

| | |
|--|------------------------------------|
| Signature of Authorized Representative or Employer | Date |
| Name of Employer's Authorized Representative (Print or Type) | Title of Authorized Representative |
| Name of School District or Unit of the University System | TRS Employer Number |
| Employer's Mailing Address | Employer's Telephone Number |

Distribution: Mail Original "Termination Pay – Irrevocable Election Form" to the TRS
Photocopy Retained by the Employer
Photocopy Provided to the Employee (**PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.**)

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